

Fostering confidence
and upholding integrity
in real estate transactions



Real Estate Council of Ontario

ANNUAL REPORT

2007-2008



CONTENTS

Introduction

1. The Role of the Architect

2. The Role of the Engineer

3. The Role of the Contractor

4. The Role of the Client

5. The Role of the Designer

6. The Role of the Builder

7. The Role of the Owner

8. The Role of the Architect

9. The Role of the Engineer

10. The Role of the Contractor

11. The Role of the Client

12. The Role of the Designer

13. The Role of the Builder

14. The Role of the Owner

15. The Role of the Architect

16. The Role of the Engineer

17. The Role of the Contractor

18. The Role of the Client

19. The Role of the Designer

20. The Role of the Builder

21. The Role of the Owner

The Real Estate Council of Ontario was established in 1997 and is responsible for regulating Ontario's real estate brokerages, brokers and salespersons in the public interest.

Our Purposes

To foster confidence and uphold integrity in real estate transactions

Our Objectives

To regulate the activity of trading in real estate in the public interest

Our Responsibilities

Interpret, enforce and suggest modifications to regulations

Our Commitment

RECO has an exclusive contract with the government to administer the Act and must perform in a manner consistent with the government's expectations and the terms of the Administrative Agreement.

RECO is dedicated to organizational behaviour characterized by:

Integrity: Be truthful and trustworthy

Accountability: Administer the Act competently in accordance with law

Fairness: Act impartially and equitably

Respect: Treat all with courtesy



MESSAGE FROM THE CHAIR



Brian Sukkau, who served as Vice-Chair in 2006, joined RECO's Board of Directors in 2004. He has served as a member of RECO's Insurance Committee, By-Laws Committee, Finance Committee and the Discipline Committee under By-Law 10.

Mr. Sukkau began his career in real estate in 1979. He graduated from the University of Western Ontario in 1985 and thereafter was broker/owner of Peter Sukkau Realty Inc. from 1987 to 2000. In 1999, Mr. Sukkau was presented with the President Award from the St. Catharines District Real Estate Board for recognition of outstanding performance and contribution to the local real estate board. He joined Royal LePage in 2000 and since then has received the Presidents Gold Award and the Royal LePage Award of Excellence.

Mr. Sukkau is a past president of both the St. Catharines District Real Estate Board and the Ontario Real Estate Association.

I am pleased to present this annual report for the fiscal year ended March 31, 2008. It has been an honour to serve as Chair of RECO and I thank my fellow Directors for the opportunity to do so. I have gained a greater appreciation of the value of professional regulation, both to consumers and registrants, than I had when I was first elected to the Board in 2004.

The goals of the regulator, registrants and consumers are essentially the same. We all envision competent, knowledgeable professionals working with consumers buying and selling real estate. It is our belief that real estate professionals deserve the confidence and trust of consumers as long as RECO meets its regulatory obligations, ensuring that real estate brokers and salespersons deliver competent, knowledgeable and professional service.

There is a solid foundation for consumer confidence in Ontario's real estate professionals. The statistics contained in the Performance Measures section of this annual report are a clear indication that the issues or problems that arise represent a very small portion of the total registrants in this province – less than 2% – and an even smaller portion of the total number of real estate transactions that take place in Ontario each year.

RECO strives to build on this foundation by ensuring that registration-related education requirements are appropriate, brokerage inspections are conducted regularly, complaints are addressed and action is taken to protect the public interest when necessary.

Therefore, it seems fitting that our strategic planning efforts this past year resulted in the identification of clearly stated planning assumptions - notably that RECO will continue to fulfill its regulatory obligations related to the administration and enforcement of the Act and associated regulations. The strategic goals relate to new initiatives and improvements in areas that will meet the long-term needs of RECO and its stakeholders; enhancing consumer protection, public confidence and the value of registration under the Act.

The three strategic goals we established are:

- ▶ Achieve public awareness and understanding of RECO, its role and its responsibilities
- ▶ Public confidence in the knowledge, competence and professionalism of registrants
- ▶ Utilize real estate sector knowledge and regulatory expertise to fulfill responsibilities related to legislative powers and continue to support the role of government

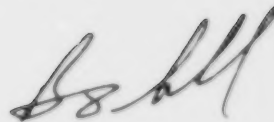
RECO's strategic business plan for the fiscal years 2009 to 2011 will be released in July 2008.

I would like to thank RECO staff and staff at the Ministry of Government and Consumer Services who contribute significantly to the achievement of RECO's goals and objectives each year.

I would also like to thank my fellow Directors, our registrants and the Ontario Real Estate Association along with its member boards and associations for devoting their time to the important task of ensuring excellence in real estate regulation in this province.

I am proud of what RECO has accomplished and confident that it has, and will continue, to serve consumers and registrants well.

Sincerely,



Brian Sukkau, Chair
Board of Directors



MESSAGE FROM THE PRESIDENT/CEO



Tom Wright joined RECO as Registrar in 1997 and took over as President and CEO in January 2002. Prior to joining RECO, Tom was Information and Privacy Commissioner for the Province of Ontario from 1991 to 1997, heading the office responsible for ensuring that ministries and government agencies of the provincial government comply with Ontario's freedom of information and privacy laws.

A graduate of Queen's Law School, Tom was called to the Ontario Bar in 1975 and practiced law for 10 years prior to joining the Ontario public services in 1985 where he held various legal positions before becoming Commissioner

Last year we reported on the impressive accomplishments in the first 10 years of RECO's existence. As RECO establishes itself and continues to mature as an organization, our focus shifts from assuming new and important responsibilities to achieving excellence in what we are already doing.

Continued growth

The number of RECO registrants has grown by 31 percent in the past 5 years. As a result of this growth, we have seen corresponding increases in demands for services, including application processing, registration transfers and phone and e-mail inquiries. New registrants, those within their first two-year registration cycle, represent 17% of total registrants.

At the same time, RECO has successfully increased public awareness of its role and responsibilities and is now responding to an increasing number of inquiries from consumers, media, regulatory organizations, financial institutions and law enforcement agencies.

Staffing has been adjusted in some areas to ensure RECO is prepared to meet both current and future demands. Our offices have been renovated to accommodate additional staff and place departments that interact with each other on a frequent basis in closer proximity to each other.

Enhancing electronic services

In the past year, we prepared to introduce electronic voting for the 2008 Election of Directors.

The online registration renewal process is another project underway. We have now completed the first phase of internal testing and a review of the paper-based renewal process to ensure consistency in approaches.

We also enhanced our website to make it more functional, easier to navigate and relevant to the interests of registrants, consumers and the media. We are particularly pleased with the addition of a dedicated consumer information section when the redesigned website launched in June 2007.

The new website also included an online version of the Guide to REBBA 2002, which has been updated since it was originally published in March 2006.

Monitoring trends and issues

In conjunction with the Board of Directors and its Legislation & Regulations Committee, we monitor industry trends and issues closely, assessing the potential impact on RECO and its registrants. When issues arise that require a regulatory response in the immediate or longer-term, we work closely with staff at the Ministry of Government and Consumer Services.

A few of the issues engaging our attention this past year included "phantom" or non-existent offers, competing offer situations in general, changes to the *Proceeds of Crime (Money Laundering) and Anti-Terrorist Financing Act* administered by the Financial Transactions Reports Analysis Centre of Canada and the Competition Bureau's Self-Regulated Professions Study.

We are also monitoring the economy, particularly conditions that might lead to a decline in the total number of registrants in coming years as RECO's revenues are derived primarily from registration fees.

Outreach

RECO provides timely and relevant information to consumers and registrants through its website, newsletters and other

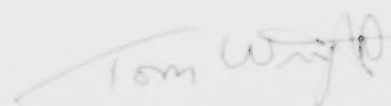
publications. We participated in the annual Government and Community Services Fair in Toronto, a consumer outreach event organized by two MPPs. We participated in more than 40 real estate board/association events and trade shows. Our attendance at these trade shows and events is a key component of our outreach activities and we appreciate the many invitations that were extended to us this past year.

We also spend a great deal of time listening to both consumers and registrants and appreciate the thoughtful comments and suggestions they provide. This includes the information gathered during the bi-annual registrant satisfaction survey conducted in late 2007.

I would like to thank the RECO Board of Directors for providing strategic leadership and direction. I would also like to extend my thanks and appreciation to RECO staff for continuing to contribute in ways that allow RECO to meet and exceed its commitments.

As we enter a new fiscal year, we do so with a renewed commitment to excellence and a clear focus on achieving the goals and objectives established in our strategic plan.

Sincerely,



Tom Wright
President/CEO



REPORT ON OBJECTIVES

Governance & Accountability

Provide Strategic Leadership

The Board of Directors is responsible for providing progressive, collective leadership and direction to RECO. All Directors, both elected and appointed, are entrusted to direct the activities of the organization as a whole rather than in their own interest or the interest of any specific group. They are entrusted to protect consumers and registrants.

There are five ways in which the Board continues to meet its leadership responsibilities: defining the strategic direction of the organization; setting the macro policies of the organization; providing financial and legal stewardship; monitoring and evaluating organizational effectiveness; and providing regular reports from its Committees, Task Forces, independent third parties and RECO Management.

During the past fiscal year, the Board reviewed and updated its strategic plan to ensure RECO's goals were clear and consistent with the desired future direction of the organization. As part of its ongoing strategic planning, RECO monitors industry trends and issues and identifies any consumer protection gaps that may exist within the scope of its mandate. RECO also made significant progress on the development of its business continuity plan over the past year.

Fulfill requirements of the Administrative Agreement with the Ministry of Government and Consumer Services

RECO operates under an Administrative Agreement with the Ontario government. The Administrative Agreement sets out the contractual requirements related to RECO's role as the delegated administrative authority responsible for administering and enforcing the *Real Estate and Business Brokers Act, 2002*. The authority for maintaining the legislation and regulations remains with the Ministry of Government and Consumer Services.

The Agreement covers areas such as: accountability to government; independent decision making; conduct and responsibilities of Directors; reporting requirements; the appointment of directors by the Minister of Government and Consumer Services; fee setting; annual reports and business plans. RECO has continued to fulfill its responsibilities in each of these areas.

During the past fiscal year, RECO was engaged in discussions with Ministry staff concerning two schedules to the Administrative Agreement, one of which relates to the consultation criteria for the process of establishing delegated regulations. RECO continues to work with the Ministry to finalize these schedules.

In accordance with the Administrative Agreement, RECO conducted its bi-annual Registrant Satisfaction Survey in Fall 2007. The results are generally consistent with the previous survey. While there are no notable areas of concern, the survey results do identify opportunities for service improvements and highlight registrants' desire to receive information by e-mail and similar electronic means. This is consistent with and supports RECO's objective to enhance electronic service delivery.

Meet the obligations of the Governance Model

The Board of Directors operates under a governance model, which distinguishes between strategic leadership and operations/management. The Board and the President/CEO have distinct and complementary responsibilities in advancing the mission of RECO.

During the past year, the Board reviewed its committee and task force structure. As part of this process, Director membership on committees and task forces is reviewed annually to ensure that new Directors are provided with opportunities to participate. Directors already serving on the Board are often rotated to other committees and task forces to enhance their knowledge and expertise.

The Board conducts regular evaluations after each meeting of Directors and engages in an annual review to evaluate the effectiveness of the Board as a whole. This process includes identifying training needs. This past year, Directors attended a special training session related to RECO's financial statements and the Board's financial responsibilities.

Legislation & Regulations

Effective and efficient administration of REBBA 2002

RECO's primary responsibility is the administration of REBBA 2002 and associated regulations. Detailed information about these activities is presented in the Performance Review section of this report. During the past year, notable activities related to this objective included: finalizing and fully implementing the Registrar's Complaints & Inquiries Process and implementing changes related to the consequences for non-payment of required insurance premiums.

Registrants who did not submit the required insurance premiums were suspended on September 1, 2008, the effective date of the new coverage cycle, and remained suspended until such time as the Registrar was satisfied that the required payment had been made.

Enhance consumer protection through continuous improvements

The Ministry of Government and Consumer Services continues to be responsible for REBBA 2002 and associated regulations. In September 2007, RECO assumed certain delegated regulation-making powers. RECO continues to consult with Ministry staff on suggested modifications to REBBA 2002 and the regulations.

Public consultations related to the recommendations contained in the Canadian Regulators Group Report of the Agency Task Force have not yet commenced. However, the joint RECO/OREA Agency Working Group did meet to discuss the recommendations and preliminary plans for a consultation process. Staff from the respective organizations developed consultation proposals which the Joint Working Group is expected to review in Summer 2008. Public notice will be provided in advance of any consultation related to this issue.

Provide a stable and affordable insurance program that meets the requirements of REBBA 2002

The Insurance Committee completed its review of alternative risk transfer options to ensure the long-term stability and affordability of the registrant insurance program. As part of this review, RECO's actuarial consultants engaged in a claims audit to assess claims handling costs and review claims management procedures and statistics.

Based on the information gathered during the review of program options and the claims audit, the Insurance Committee presented recommendations to the Board of Directors in March 2007. The Board approved the implementation of a new insurance model – Managing General Agent authority – that came into effect September 1, 2007. The new model remains fully insured and brings cost-efficient and professional claims management to the program.

RECO continues to monitor claims data, policy wording and program administration on an ongoing basis. Terms and conditions, including premiums, are negotiated on an annual basis with insurance service providers.



REPORT ON OBJECTIVES

Enhance Registrant Knowledge, Competence & Professionalism

Provide an education model with improved content and delivery

The Registrar is responsible for establishing registration-related educational requirements. The Ontario Real Estate Association is the current provider of pre-registration, articling and broker educational courses, including the mandatory six credit RECO Real Estate Update continuing education course under an Education Nominee Agreement that expires in July 2008.

To ensure an open and competitive process, the Registrar issued a Request for Proposals for the Provision of the Pre-Registration, Articling and Broker Educational Program in November 2006 and invited all interested parties to respond. Contract negotiations are currently underway.

Other organizations, both pre-approved and approved providers, deliver continuing education courses that qualify as part of the 18 self-selected credit hours. The Registrar's Education Advisory Committee reviews education provider applications for course approvals on a regular basis. During the past year, the Registrar reviewed the Committee's recommendations to improve the administration and delivery of the Continuing Education Program. Changes to the continuing education policies will take effect in the coming fiscal year.

The Registrar also developed and approved an Educational Accommodation Policy for Persons with Disabilities, which came into effect on December 20, 2007. The policy accommodates persons with disabilities, within the meaning of section 10(1) of the Ontario Human Rights Code, by granting time extensions to complete the educational requirements.

Maintain brokerage inspection program

RECO continued its risk-based inspections program, inspected brokerages that were winding down their operations and conducted courtesy inspections of new brokerages on request. Inspectors also provided support to brokerages that had questions or concerns about requirements under REBBA 2002 that affect record-keeping practices. Ontario's real estate brokerages are inspected at least once every 5 years.

Service Delivery

Enhance electronic services

In June 2007, RECO launched a redesigned website and an electronic version of the Guide to REBBA 2002. The online version of the Guide to REBBA 2002 has been updated a few times since its introduction, incorporating amendments to legislation and associated regulations. The online version of the Guide also includes Registrar's Bulletins that were produced after the hard copy of the Guide was published in March 2006.

The bi-annual registrant satisfaction survey was conducted online in Fall 2007, making it accessible to all registrants who chose to participate. Conducting the survey online eliminated mailing and print costs and simplified the analysis of responses received as no data entry was required. It also facilitated enhanced reporting as years registered, registration category and other information could be captured while maintaining the anonymity of survey respondents.

Electronic voting will be introduced for the May 2008 election of Directors. By-law changes to facilitate the introduction of online voting were proposed and approved at RECO's Annual General Meeting in June 2007. In 2008, both paper ballots and online voting options will be available. Once the election results are available, including the breakdown of mailed ballots and online votes, the Board will review options for future elections.

RECO has continued work on the development of online registration renewals. This project has been underway over the past fiscal year and internal testing has been conducted. It is anticipated that pilot-testing will be conducted in the coming fiscal year.

French language services

While RECO is not bound by the *French Language Services Act*, it is committed to meeting the spirit of the legislation. RECO's policy is to respond in French to all communications and inquiries received in French. A French translation of the Rules of Practice for Discipline and Appeals Committee members under REBBA 2002 is expected to be completed in April 2008 and made available on RECO's website.

In the coming fiscal year, RECO will be considering options for providing basic information about RECO's role, its responsibilities and its services in French and several other languages.

Increase consumer awareness of the value of dealing with a registered broker or salesperson

A redesigned RECO website launched in June 2007 and included the addition of a "consumer information" section. New publications and information pieces were developed to provide consumer-focused information related to working with a registered broker or salesperson, agreements, deposit protection, complaints and other topics. RECO's Consumer Advisory Group had previously identified topics of particular interest to consumers and assisted during the review of some of the new publications, offering valuable feedback.

RECO participated in the Ministry of Government Services Smart Consumer Calendar by sponsoring a month in the calendar. RECO also attended the Government and Community Services Fair in Toronto in January 2008. This consumer-focused event was attended by other Administrative Authorities and a variety of organizations that protect or assist consumers.

Monitor effectiveness of complaints-handling process

RECO has continued to identify and implement changes to respond to increased volumes of inquiries in an efficient manner. At present, the complaints-handling process has not fully transitioned as some allegations involve conduct that took place prior to the effective date of REBBA 2002. Ongoing monitoring of turnaround times, trends in complaints and developments in the industry will assist in ensuring efficiency. An initiative currently underway relates to a streamlined process for handling advertising-related complaints.

Continue to strengthen relationship with Ministry of Government and Consumer Services (MGCS)

RECO continued to work closely with Ministry staff, discussing issues related to legislation and regulations, providing quarterly performance reports, and updating the Ministry on ongoing and emerging industry and public issues. MGCS/RECO liaison meetings are held on a regular basis to

ensure additional opportunities for discussion and the exchange of information are always available.

Continue to participate in the Canadian Regulators Group (CRG) and the Association of Real Estate Licence Law Officials (ARELLO)

The Canadian Real Estate Regulators Group (CRG) consists of senior staff representatives from the real estate regulatory bodies in many Canadian jurisdictions. The CRG is a valuable vehicle for the exchange of information between jurisdictions, regulatory harmonization and cooperation on common issues. CRG members, including RECO representatives, participate in the annual CRG Conference, meetings and other initiatives. This year, RECO has the honour of hosting the conference in Toronto to discuss current regulatory trends and exchange information.

The Association of Real Estate License Law Officials (ARELLO) was founded in 1920 to facilitate the exchange of information and cooperation among regulators and policy makers in the area of real property. ARELLO's mission is to support jurisdictions in the administration and enforcement of real estate license laws to promote and protect the public interest. RECO representatives attend ARELLO conferences and meetings on a regular basis.

In September 2007, a RECO investigator received ARELLO's Investigator of the Year award.

Continue to work with other Administrative Authorities and real estate sector organizations

RECO continued to attend Delegated Administrative Authority meetings, which provide an opportunity to share best practices and identify new initiatives for enhancing programs and services.

Continue to work with the Ontario Real Estate Association and its member boards

RECO continued to participate in RECO/OREA liaison meetings to discuss industry issues and share information on current initiatives. RECO also participated in more than 40 real estate board/association events and trade shows throughout the province. These events provide an opportunity to meet with registrants, share information about RECO's accomplishments or future plans, and respond to issues. These events continue to be a key component of RECO's outreach activities.



MESSAGE FROM THE REGISTRAR



Allan Johnston has been involved in the real estate industry for more than twenty five years. Allan has been a REALTOR, the Executive Officer of the Halifax/Dartmouth Real Estate Board and General Manager, Policy and Procedures Group with the Toronto Real Estate Board.

Prior to his involvement in real estate, he held a number of management and executive positions in other industries in Canada after serving for fifteen years in the Royal Air Force.

He served on two of RECO's Task Forces during 1997 and 1998, assisting in the development of the RECO Code of Ethics and the CCD process. Allan joined RECO in August of 1998 and became Registrar in 2002.

I am pleased to report on the regulatory activities for the fiscal year. The regulatory activities include processing registration applications, registration-related educational requirements, brokerage inspections, investigations and addressing complaints and concerns.

It has been our experience that the majority of registrants want to be in compliance with the Act and regulations. Last year, 98% of registrants submitted the required insurance payment before the start date of the new coverage period resulting in very few suspensions for non-payment of insurance. Similarly, more than 99% of registrants met the continuing education requirements prior to the renewal date of their registration.

It is our job to facilitate these successes. The most effective way to ensure that registrants meet all of the requirements of the Act and regulations, including the Code of Ethics, is through a combination of relevant education and timely communications. For this reason, we review registration-related educational requirements on an ongoing basis and monitor developments in other jurisdictions.

When the request for proposals for the provision of the pre-registration, articling and broker educational programs was issued in November 2006 we identified program objectives that included: developing a sustainable course curriculum that supports RECO's role in protecting the interests of consumers and registrants; providing students with comprehensive, accurate and up-to-date education that will allow

them to develop the necessary skills and knowledge to succeed in the marketplace. During the fiscal year, contract negotiations were underway and I expect to announce the designate authorized to provide the program in Summer 2008.

As we begin to see issues emerging, particularly in the area of complaints, we publish articles in the registrant newsletter in an attempt to reduce or limit the number of registrants who may inadvertently make similar errors. We also utilize brokerage inspections as a means of educating brokers of record about proper record-keeping and offer courtesy inspections to new brokerages to ensure that are in compliance from the outset.

RECO's enforcement activities help to ensure the public interest – both consumers and registrants – is protected in instances of unethical conduct or other contraventions of law. The majority of the complaints we receive involve ethical conduct and are not serious in nature. Less than 3% of complaints lead to discipline hearings, charges under the Act and proposals to revoke or refuse registration.

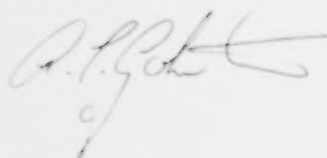
Mortgage fraud has continued to be a source of concern. Out of the 68 investigations that were active as of March 31, 2008, 43 involved allegations of mortgage fraud. RECO's policy is that any registrant who is proven to have knowingly participated in this type of activity faces loss of registration. A collaborative approach is the only way to effectively combat mortgage fraud. In addition to our enforcement activi-

ties, our inspectors and investigators are often invited to speak to financial institutions and law enforcement agencies about our investigative work in this area.

Detailed information and statistics related to our regulatory activities are presented in the Performance Measures section of this annual report. I believe they reflect well on RECO and its registrants.

In the coming year, we will continue to monitor trends and issues – utilizing our inquiries and complaints information to enhance our communications and educational programs. Within the scope of its role, RECO strives to ensure that the real estate marketplace in Ontario is fair, safe and informed.

Sincerely,



Allan T. Johnston
Registrar
Real Estate and Business Brokers Act, 2002



PERFORMANCE REVIEW

Performance Review

RECO protects the public interest by regulating the activities of more than 54,000 real estate brokerages, brokers and salespersons trading in real estate in Ontario. This is achieved through:

- ▶ Enforcing the standards required to obtain and maintain registration as a brokerage, broker or salesperson and delivering the duties of the Registrar
- ▶ Establishing minimum requirements for pre-registration and continuing education
- ▶ Conducting routine inspections of brokerage offices to ensure compliance with the *Real Estate and Business Brokers Act, 2002* and educate brokers
- ▶ Addressing inquiries, concerns and complaints about the conduct of

registrants received from all sources and taking appropriate action to protect the public interest

- ▶ Establishing and administering insurance requirements, which include consumer deposit protection
- ▶ Promoting ongoing education and competent, knowledgeable and professional service

Registration

RECO's registration services include processing new business and new broker/salesperson registrations, renewals, reinstatements, maintaining the registrant database, and delivering the duties of the Registrar.

The Registrar determines eligibility to trade real estate in Ontario based on the requirements of REBBA 2002 and associated regulations. REBBA 2002

and its regulations outline the minimum standards and requirements needed for real estate professionals to obtain and maintain their registration.

The total number of registrants has grown steadily. As of March 31, 2008, 54,253 individuals and businesses were registered with RECO – a 31% increase in total registrants over the past 5 years.

In 2007-2008, new registrations increased to 5,325 from 5,201 the previous year. In all, registration staff processed a total of 39,227 transactions in 2007-2008.

Breakdown of total registrants by category



Broker — 9,946

Salesperson — 573

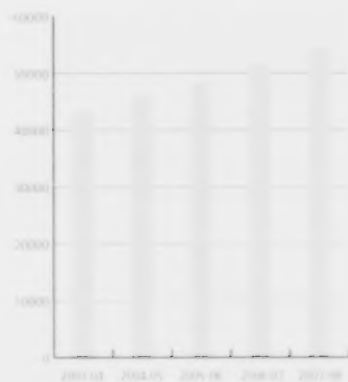
Brokerage — 3,998

Residential — 9,395

Salesperson — 30,341

*Professional registrants are those with a five-year cycle of registration.

Total Registrants



Education

RECO's Continuing Education program equips real estate brokers and salespersons in Ontario with the up-to-date skills and knowledge they require in their daily business, which in turn helps to ensure excellence in their service to clients and customers.

In order to renew their registration, all registrants must have fulfilled the requirements of RECO's Continuing Education program. The continuing education requirements apply to all registered real estate brokers and salespersons regardless of the length of time they have been trading in real estate.

Registrants are required to complete a minimum of 24 continuing education credit-hours, which includes a mandatory six-hour RECO Real Estate Update Course in each two-year cycle that they are registered. The courses may be selected from a wide range of areas allowing registrants to tailor their education to areas of special interest.

In 2007-2008, RECO's Education Committee approved 19 new providers and 41 new courses.

Brokerage Inspections

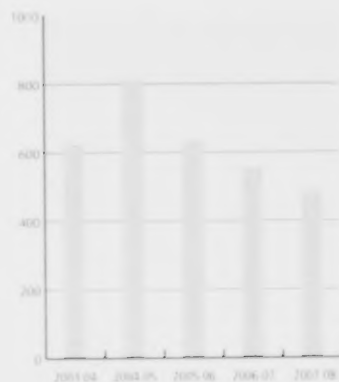
The primary role of the inspections process is to administer the regulatory requirements of the real estate profession, which in turn increases the level of protection RECO is able to provide to consumers and registrants.

RECO's inspections program enables one-on-one contact between RECO inspectors and brokers and provides opportunities to educate brokers about maintaining current and appropriate records. RECO inspectors routinely visit established brokerages to ensure compliance with REBBA 2002 and associated regulation or schedule courtesy inspections with new brokerages to help them start out their businesses in compliance with regulatory requirements. While most inspections are random, they may also be generated by a complaint.

RECO inspectors are trained to provide accurate information and field registrant questions. During brokerage inspection visits, inspectors examine records such as trust account records, trade contracts and trade record sheets.

RECO conducted 486 inspections in 2007-2008.

Inspections



PERFORMANCE REVIEW

Complaints

Registrants are required to conduct themselves and their businesses according to the requirements of REBBA 2002 and its regulations. These requirements protect the public interest in real estate transactions and help ensure public confidence in registrants.

Most complaints received by RECO do not involve serious misconduct. The majority of complaints received involve allegations of ethical misconduct. The Registrar, depending on the nature of the allegations, determines what disciplinary measures, if any, are appropriate.

Potential disciplinary measures

- ▶ The Registrar may invite the registrant to attend a meeting with representatives from the Office of the Registrar to discuss the complaint. At the meeting the registrant may receive an informal reminder, advice, or caution.
- ▶ The Registrar may attempt to mediate or resolve the complaint.
- ▶ The Registrar may issue a written warning indicating that if the conduct that led to the complaint continues, further action may be taken.
- ▶ The Registrar may require a registrant to take further educational courses.
- ▶ The Registrar, with the registrant's consent, may apply voluntary conditions to a registration.
- ▶ Matters involving alleged breaches of the Code of Ethics may be referred to a Discipline Committee.
- ▶ The Registrar has the power to order an immediate temporary suspension of a registration where he or she believes it is in the public interest.
- ▶ The Registrar may issue a notice of proposal to revoke, suspend, refuse to renew, or apply conditions to a registration if a registrant is in contravention of REBBA 2002 and its regulations (other than the Code of Ethics).
- ▶ The Director under REBBA 2002 may appoint investigators to conduct investigations under the Act and can freeze the trust accounts of registrants where he or she believes that it is advisable for the protection of clients and

customers.

- ▶ Offences related to REBBA 2002 and its regulations (other than the Code of Ethics) are prosecuted in the Ontario Court of Justice in accordance with the Provincial Offences Act.

In some cases the allegations are not supported by the evidence and available information. In such cases, the Registrar may determine that no action is required or that there is insufficient information to take action.

During the fiscal year, 1,467 complaint files were opened and 1,335 complaint files were closed. These figures are not necessarily related to one another. Some of the files closed during the fiscal year may have been opened during the fiscal year or in a previous year.

Approximately 26 per cent of the files were closed after RECO took administrative actions, which involves steps such as sending written cautions to the individual(s) or brokerage, or imposing a requirement to complete educational courses. Another 19 percent were

Breakdown of closed complaints by type of disposition



RECO had no jurisdiction	4%
Referred to investigations & mediation	6%
Discipline decisions after a disciplinary hearing	2%
Personal interview	1%
Complaints withdrawn by the complainant	1%
Dismissed by the Manager of CEO	7%
Dismissed by the Registrar	32%
Referred to the Registrar for further action	2%
Complainant did not respond to request to attend as a witness	18%
Administrative action such as written caution or a requirement to complete educational courses	27%

closed because the complainant either chose to withdraw the complaint or did not respond to request to attend as a witness. Only 2 per cent of these files were closed after a full discipline hearing. The others were closed after they were referred to investigations, or closed because RECO had no jurisdiction.

Complaint trends

Apart from past most common Code misconducts such as advertising, ethical behaviour and primary duty to client, RECO has experienced an increase in Code of Ethics breaches related to brokerage or broker of record responsibilities. Based on the nature of inquiries and complaints we have received in the past year, it appears some brokers of record do not understand the impact of their new responsibilities under REBBA 2002. The duty to ensure compliance by brokers and salespersons is therefore a very common breach to the Code of Ethics. As a result, RECO plans to enhance its communication to brokers of record about their obligations under the Act and the implications of neglecting these duties.

The handling of multiple offers is another issue that was a source of significant attention from both registrants and consumers. The common concern was the transparency of the process as this is an area that is not specifically covered by REBBA 2002 and RECO's authority does not extend to marketplace regulation. We have learnt that the issue of transparency can be based on perceptions. For example, while a registrant might believe that he/she is being as transparent as possible in a

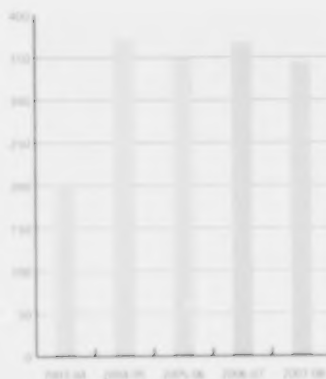
multiple offer situation, there might be certain actions that could lead a consumer to believe this is not the case. This concern presents the opportunity for RECO to educate registrants about establishing multiple offer procedures or policies that supports fairness and transparency in the marketplace.

Many complaints involved situations where a registrant did not take reasonable steps to determine or disclose material facts that are known or ought to be known by the registrant. RECO's discipline committee takes this type of ethical misconduct seriously and if it is found that there was a breach of the Code with respect to disclosure of material facts, the hearing panel tend to impose high penalties.

Administrative Regulatory Action

In 2007-2008, the Registrar took administrative regulatory action, such as imposing conditions on registration or issuing a reprimand in 344 cases.

Administrative Regulatory Actions



Registrar's Proposals

The Registrar's authority to issue a proposal to refuse, revoke or refuse to renew registration is a critical component of our enforcement activities. It is the most severe action RECO takes and is reserved for the most serious circumstances.

The Registrar has the authority to issue a proposal where: the applicant cannot reasonably be expected to conduct business in a financially responsible way, or where past conduct gives reasonable grounds for the Registrar to believe that the applicant will not conduct business with integrity, honesty, and in accordance with law.

A registrant who has received a proposal has 15 days, from the date the proposal is served, to file a notice of appeal to the Licence Appeal Tribunal (LAT). In the past year, 12 proposals were appealed and resulted in LAT hearings.



PERFORMANCE REVIEW

In 2007-2008, the Registrar issued proposals to refuse or revoke 52 registrations compared with 123 the year before. This significant drop in Registrar's Proposals was the result of an amendment to the Act. Previously, the Registrar had to issue proposals to revoke registrations for non-payment of insurance. An amendment to the Act now requires the Registrar to simply carry out an automatic suspension of registration when a registrant fails to meet insurance payment requirements.

In fiscal 2007-2008, 864 registrants were suspended due to non-payment of insurance. This number represents less than 1% of the total number of registrants. In situations where a broker of record failed to make the required insurance payment and was suspended, if a replacement broker of record was not appointed by the brokerage, the Registrar issued a proposal to revoke the registration of the brokerage.

Of the 52 proposals issued, 22 resulted in refusal or revocation of registration.

Investigations

RECO investigates alleged violations of REBBA 2002 and associated regulations.

Eighty-two investigations were initiated in 2007-2008. RECO's investigative work led to 36 charges and 13 prosecutions in the Ontario Court of Justice. These prosecutions resulted in 41 convictions and fines imposed totaled \$51,500. Fines imposed vary from year to year depending on the number and severity of offences.

The Ontario Provincial Offences Act (POA) governs how charges are processed and prosecuted in the Ontario courts. The POA is a procedural law for administering and prosecuting provincial offences, including violations of REBBA 2002. Individuals found guilty of offences are subject to fines up to \$50,000 and a potential prison term of two years. Corporations found guilty of offences are subject to fines up to \$250,000. Courts also have the power to order convicted persons to pay compensation and make restitution.

Investigations related to mortgage fraud

Mortgage fraud is an issue that continues to receive considerable attention and is a reason for proposing to revoke or refuse registration.

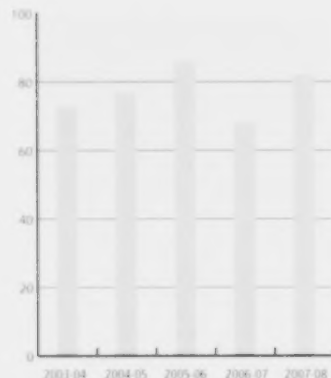
RECO addresses mortgage fraud through:

- ▶ Education,
- ▶ Collaboration with organizations concerned about mortgage fraud,
- ▶ Investigative activities to ensure compliance, and
- ▶ Legal/statutory activities to impose disciplinary action on registrants proven to have participated in mortgage fraud.

As of March 31, 2008, there were a total of 43 active investigations related to allegations of facilitating mortgage fraud.

RECO's position is that any registrant or applicant proven to have knowingly participated in mortgage fraud faces losing their registration or having registration refused. It should be noted that some registrants alleged to have participated in mortgage fraud voluntarily terminate their registration.

Investigations



REGISTRANT SATISFACTION SURVEY

In late 2007, RECO conducted its second bi-annual registrant satisfaction survey. The survey was conducted online, providing an opportunity for all registrants to participate. This summary provides an overview of the survey results and comparisons to results of the initial survey conducted in 2005.

Survey Response

A total of 1,552 registrants responded to the survey – roughly two times the number that responded to the initial survey conducted in 2005.

Programs

To assess registrants' perceptions of the value or importance of RECO's programs and services, registrants were asked to indicate the importance of these programs to them. Respondents ranked "professional standards and ethics" (71%) and "registration" (60%) as very important. The majority of respondents, greater than 80%, ranked all seven programs and services as either important or very important.

Service Delivery

Respondents were asked to rate RECO's services such as: prompt response to phone inquiries, courteous and helpful staff, prompt response to e-mail inquiries, application processing and online services. Overall, 77% of respondents indicated RECO met their expectations and 12% indicated RECO exceeds their expectations. The ratings are down marginally from the 2005 survey results. The implementation of REBBA 2002 in March 2006, which resulted in significantly higher inquiry volumes, is likely to have contributed to this shift.

Total survey respondents by registration category



Registrant Publications

Respondents indicated a much greater familiarity with all of RECO's publications than in 2005. In particular, Registrar's Bulletins, Public Advisories and the Brokers Guide to the Inspection Process all doubled in the very familiar response category.

Registrants were most familiar with the Guide to REBBA 2002 and the registrant newsletter. They rated the Guide to REBBA 2002 and the registrant newsletter as the most useful publications, indicating very useful ratings of 53% and 41% respectively.

INSURANCE PROGRAM

RECO's Insurance Program (the "Program") is an important component of its mandate to protect the public interest by ensuring that there is insurance available to protect consumers.

In the event of loss by reason of a registrant's negligence, there is Errors and Omissions insurance (for protection of both registrants and consumers). In the event of a loss of deposit funds by reason of broker fraud, insolvency or misappropriation of funds, there is Consumer Deposit Insurance (for protection of consumers) and Commission Protection Insurance (for protection of registrants).

As of September 1, 2007, in consideration for RECO's objective to maintain stability of insurance coverage and to limit the increase of insurance premiums, a new insurance broker, Alternative Risk Services Inc., was retained to renew the Program with the insurer, Lloyd's of London. Dion, Durrell + Associates Inc. (Dion, Durrell), in addition to providing RECO with valuable insurance/actuarial advice, is now responsible for the overall management of the Program. Dion, Durrell provides professional claims and program management which will ensure the long term stability and affordability of the Program.

RECO strives to maintain a balance between the affordability of insurance and the level of coverage provided while also working to improve registrant services and be responsive to the concerns of consumers.

Claims Statistics

The Program has relatively mature claims statistics having accumulated over 7 1/2 years of claims statistics. The following is a summary of the highlights of the Program's claims experience up to and including February 29, 2008.

Consumer Deposit Insurance Policy

Payments for claims made under the Consumer Deposit coverage, both completed and in process, from inception of the Program to February 29, 2008 is \$1,147,825.

Commission Protection Insurance Policy

Payment of claims under the Commission Protection coverage, both completed and in process, from inception of the Program to February 29, 2008 is \$827,027.

Errors & Omissions Insurance Policy

Since inception of the Program to February 29, 2008, a total of 4,764 claims have been reported - of which 1,235 remain open. To date, claims settlements totaling \$5,672,812 have been paid with an additional \$4,874,304 set aside for claims not yet settled.

RECO's loss statistics continue to be shared with RECO's Education Committee and OREA for use in assessing and developing education needs for the real estate industry. As well, industry-relevant loss control bulletins will continue to be published. Seminars focused on loss control for registrants are being planned for introduction in the summer of 2008.

Urban and Rural Claims

September 1, 2000 - February 29, 2008



Top 5 Causes of Loss - Urban

September 1, 2000 - February 29, 2008



Top 5 Causes of Loss - Rural

September 1, 2000 - February 29, 2008



Claims by Transaction Type

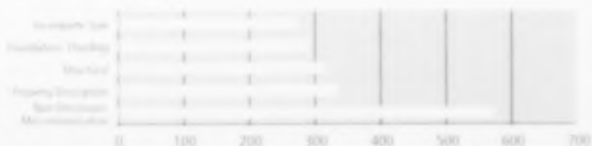
Commercial vs. Residential

September 1, 2000 - February 29, 2008



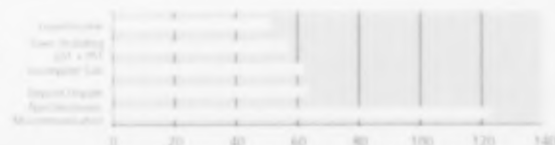
Top 5 Causes of Loss - Residential

September 1, 2000 - February 29, 2008



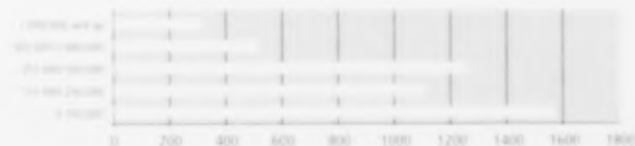
Top 5 Causes of Loss - Commercial

September 1, 2000 - February 29, 2008



Claims by Value of Transaction

September 1, 2000 - February 29, 2008



- Non-disclosure/miscommunication and problems with property descriptions are common problems in both urban and rural claims.
- Well and septic problems are common problems in rural claims.
- Residential claims are more frequent than commercial claims.

- Non-disclosure/miscommunication and incomplete sales problems are common to both residential and commercial claims.
- Claims involving properties in excess of \$250,000 in value now represent approximately 44% of all claims reported.

Over the years, this reflects how the Program's claims experience has matched the growth and progress of the real estate industry in both size and complexity of the transactions that registrants are involved in.

SUMMARY OF ENFORCEMENT ACTIVITIES

Real Estate Council of Ontario

Discipline and Appeals Hearings

RECO's Discipline and Appeals Committees are statutory tribunals subject to the Statutory Powers Procedures Act. Complaints involving alleged breaches of the Code of Ethics may be referred to the Discipline Committee for a hearing.

Some matters referred to the Discipline Committee are resolved in a pre-hearing through an Agreed Statement of Facts and Penalty. The pre-hearing serves as a form of alternative dispute resolution where RECO and the respondent agree on the details of the allegations as well as the appropriate penalty, before presenting the Agreed Statement to the Discipline Committee.

If a matter has not, or can not, be resolved in a pre-hearing, it will proceed to a hearing. The Chair of the Discipline Committee generally assigns a panel consisting of three members of the Committee to hold the hearing. Following the hearing, the discipline panel prepares a final decision including reasons. If the panel makes a determination that a registrant has failed to comply with the Code of Ethics, it may order the registrant to take educational courses, pay a fine of up to \$25,000, and/or impose costs.

In 2007-2008, RECO held 40 formal hearings.

The formal hearings include:

- ▶ pre-hearings (13),
- ▶ full Discipline Committee hearings (21), and
- ▶ appeal hearings (6).

Discipline and Appeals panel decisions are posted in the Complaints &

Enforcement section of RECO's website for a period of 60 months, as required by RECO's Public Notice Policy.

Registrar's Proposals

The Registrar has the authority to refuse, refuse to renew, revoke, suspend or apply conditions to an application/registration. In such situations, the Registrar prepares a Proposal and notifies the applicant/registant of that proposal together with reasons for the Registrar taking such action. A registrant who has received a Proposal has 15 days, from the date the Proposal is served, to file a notice of appeal to the Licence Appeal Tribunal (LAT). If no appeal is received by LAT, the Registrar may carry out the Proposal.

The following is a summary of revocations and refusals in 2007-2008:

Regina Volovik

(Richmond Hill, Ontario)

The Registrar issued a proposal to revoke the registration of Regina Volovik on March 23, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of Regina Volovik was revoked on April 25, 2007.

Jerome S. Nicholson

(Brampton, Ontario)

The Registrar issued a proposal to revoke the registration of Jerome S. Nicholson on December 15, 2005. The proposal was appealed to the Licence Appeal Tribunal on January 4, 2006. By Order released on July 31, 2006, the Licence Appeal Tribunal directed the

Registrar to carry out his proposal effective April 2, 2007. The registration of Jerome S. Nicholson, as a broker, was revoked on April 2, 2007. He continues to be registered as a salesperson.

Ameer Baksh

(Hamilton, Ontario)

The Registrar issued a proposal to revoke the registration of Ameer Baksh on July 6, 2006. The proposal was appealed to the Licence Appeal Tribunal on July 20, 2006. By Order released on January 10, 2007, the Licence Appeal Tribunal directed the Registrar to carry out his proposal effective July 2, 2007. The registration of Ameer Baksh was revoked on July 2, 2007.

Marcus Brekker

(Newmarket, Ontario)

The Registrar issued a proposal to refuse the registration of Marcus Brekker on January 22, 2007. The proposal was appealed to the Licence Appeal Tribunal on February 13, 2007. By Order released on July 30, 2007, the Licence Appeal Tribunal directed the Registrar to carry out his proposal. The registration of Marcus Brekker was refused on August 1, 2007.

Sunny Ramdass

(Maple, Ontario)

The Registrar issued a proposal to revoke the registration of Sunny Ramdass on June 25, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of Sunny Ramdass was revoked on August 1, 2007.

George Szanto*(Etobicoke, Ontario)*

The Registrar issued a proposal to refuse the registration of George Szanto on November 20, 2007. The proposal was appealed to the Licence Appeal Tribunal on December 7, 2007. By Order released on August 10, 2007, the Licence Appeal Tribunal directed the Registrar to carry out his proposal. The registration of George Szanto was refused on August 24, 2007.

Vince Carere*(Vaughan, Ontario)*

The Registrar issued a proposal to revoke the registration of Vince Carere on January 12, 2007. The proposal was appealed to the Licence Appeal Tribunal on February 6, 2007. Vince Carere withdrew his appeal on September 24, 2007. The registration of Vince Carere was revoked on September 25, 2007.

Rahaman Subadar*(Toronto, Ontario)*

The Registrar issued a proposal to revoke the registration of Rahaman Subadar on August 15, 2005. The proposal was appealed to the Licence Appeal Tribunal on August 30, 2005. By Order released on October 4, 2007, the Licence Appeal Tribunal directed the Registrar to carry out his proposal. The registration of Rahaman Subadar was revoked on October 10, 2007.

The Talbot Group Real Estate Services Ltd.*(St. Thomas, Ontario)*

The Registrar issued a proposal to revoke the registration of The Talbot Group Real Estate Services Ltd. on

July 13, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore, in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of The Talbot Group Real Estate Services Ltd. was revoked on October 17, 2007.

Scott MacKenzie*(Collingwood, Ontario)*

The Registrar issued a proposal to revoke the registration of Scott MacKenzie on August 9, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore, in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of Scott MacKenzie was revoked on October 17, 2007.

Homelife Grandview Realty Inc.*(Toronto, Ontario)*

The Registrar issued a proposal to revoke the registration of Homelife Grandview Realty Inc. on September 6, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore, in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of Homelife Grandview Realty Inc. was revoked on October 23, 2007.

1st Choice Realty Inc.*(Toronto, Ontario)*

The Registrar issued a proposal to revoke the registration of 1st Choice Realty Inc. on September 6, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore, in accordance with section

14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of 1st Choice Realty Inc. was revoked on October 23, 2007.

Peter Calandra Realty Inc.*(Toronto, Ontario)*

The Registrar issued a proposal to revoke the registration of Peter Calandra Realty Inc. on September 6, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore, in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of Peter Calandra Realty Inc. was revoked on October 23, 2007.

Patel Realty Limited*(Markham, Ontario)*

The Registrar issued a proposal to revoke the registration of Patel Realty Limited on September 6, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore, in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of Patel Realty Limited was revoked on October 23, 2007.

James T. Coligan Real Estate Ltd.*(Brockville, Ontario)*

The Registrar issued a proposal to revoke the registration of James T. Coligan Real Estate Ltd. on September 6, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore, in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of James T. Coligan Real Estate Ltd. was revoked on October 23, 2007.





SUMMARY OF ENFORCEMENT ACTIVITIES

Real Estate Council of Ontario

Fran Miller Real Estate Limited

(St. Catharines, Ontario)

The Registrar issued a proposal to revoke the registration of Fran Miller Real Estate Limited on September 6, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore, in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of Fran Miller Real Estate Limited was revoked on October 23, 2007.

Donald Hancock Real Estate Ltd.

(Waterdown, Ontario)

The Registrar issued a proposal to revoke the registration of Donald Hancock Real Estate Ltd. on September 6, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore, in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of Donald Hancock Real Estate Ltd. was revoked on October 23, 2007.

Stephen Wright

(Peterborough, Ontario)

The Registrar issued a proposal to revoke the registration of Stephen Wright on September 4, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore, in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of Stephen Wright was revoked on October 23, 2007.

Ole Norgaard

(London, Ontario)

The Registrar issued a proposal to revoke the registration of Ole Norgaard on September 4, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore, in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of Ole Norgaard was revoked on October 23, 2007.

Donald Hutcheson

(Collingwood, Ontario)

The Registrar issued a proposal to revoke the registration of Donald Hutcheson on September 4, 2007. The Registrar's proposal was not appealed to the Licence Appeal Tribunal and therefore, in accordance with section 14(1) of the *Real Estate and Business Brokers Act, 2002*, the registration of Donald Hutcheson was revoked on October 23, 2007.

Janet Bennett-Cox

(Pickering, Ontario)

The Registrar issued a proposal to revoke the registration of Janet Bennett-Cox on March 23, 2007. The proposal was appealed to the Licence Appeal Tribunal on April 10, 2007. By Order released on December 14, 2007, the Licence Appeal Tribunal directed the Registrar to carry out his proposal. The registration of Janet Bennett-Cox was revoked on December 19, 2007.

Steven Stojadinovich

(Cambridge, Ontario)

The Registrar issued a Proposal to revoke Stojadinovich's registration to trade in real estate. The Registrar's proposal was appealed to the Licence Appeal Tribunal in January 2007. By Order released on January 8, 2008, the Licence Appeal Tribunal directed the Registrar to carry out his proposal. The registration of Steven Stojadinovich was revoked on January 15, 2008.

Convictions

The Ontario Provincial Offences Act (POA) governs how charges are processed and prosecuted in the Ontario courts. The POA applies to all Ontario statutes and regulations, including REBBA 2002. Individuals found guilty of offences are subject to fines up to \$50,000 and a potential prison term of two years. Corporations found guilty of offences are subject to fines up to \$250,000. Courts also have the power to order convicted persons to pay compensation and make restitution.

Individuals found in contravention of REBBA 2002 may be subject to a victim fine surcharge, in addition to the specified fine, pursuant to section 60.1 of the *Provincial Offences Act*. The surcharge is collected by the court and goes in to the Province's Victims' Justice fund account. For more information, please visit www.ontariocourts.on.ca.

The following is a summary of 2007-2008 convictions:

Courtney Wallis Simpson

April 2, 2007 (Sentencing)

On September 11, 2006 Courtney Wallis Simpson was found guilty of two counts of maintaining more than one real estate trust account; 11 counts of obstructing an investigator; eight counts of obstructing an inspector; and one count of furnishing false information in an application. On April 2, 2007 she was sentenced to imprisonment for one year on each of the first 21 counts to be served concurrently, and one year for count 22, to be served consecutively.

Yossi Adout

September 17, 2007

Yossi Adout was found guilty of one count of trading in real estate as a broker without registration and one count of furnishing false information. He was fined \$2,500 per count, for a total fine of \$5,000.

Patricia Palmieri

November 1, 2007

Patricia Palmieri was found guilty of one count of assisting in falsifying information/documents and was fined \$6,000.

Desmond Allen

December 4, 2007

Desmond Allen was found guilty of two counts of performing the functions of a salesperson while not registered. The court ordered him to pay a penalty of \$25,000 within one year on one count and suspended his sentence on the second count.

Mark Hope

December 6, 2007

Mark Hope was found guilty of one count of accepting commission or remuneration from a person other than the brokerage that employed him and two counts of accepting commission or remuneration from a person other than the brokerage that employed him. He was sentenced to serve six months in jail and one year probation on the first count and was fined \$5,000 on the second and third counts for a total fine of \$10,000.

Edward C. Beattie

January 22, 2008

Edward C. Beattie was found guilty of one count of failing duties as a broker of record, four counts of improper trade record sheets and two counts of failing to sign/date trust account reconciliations. He was fined \$500 for one count of failing duties as a broker of record. Sentencing was suspended for the additional 6 counts. This conviction is currently subject to an appeal.

Century 21 Realty 2000 Inc.

January 22, 2008

Century 21 Realty 2000 Inc. was found guilty on three counts of failing to keep money separate and apart, two counts of unlawful disbursement of trust money and one count of failing to record particulars of trust disbursement. Century 21 Realty 2000 Inc. was fined \$1,000 on each of the five counts for a total of \$5,000.



AMENDMENTS TO REBBA 2002 AND THE REGULATIONS

Real Estate Council of Ontario

Amendments to the Real Estate and Business Brokers Act, 2002

Effective January 17, 2008, Section 44 (1) Amended by adding:

(b.1) as authorized under the *Regulatory Modernization Act, 2007*

By-law changes as of June 21, 2007

Effective September 14, 2007, is Ind. Canada approval

	Previous By-law	Amended By-law
By-law No. 9		
Section 11		
Election Procedure/Counting	<p>Following the deadline for the receipt of the marked ballots, the President, in the presence of at least two scrutineers, appointed by the President, shall cause the ballots to be opened and the scrutineers shall count the ballots. Any candidate for election or any person authorized in writing by such candidate, is entitled to be present at the opening of the ballots and the scrutining and the counting of the ballots.</p> <p>On the completion of the count, the scrutineers and the President shall sign a record detailing the number of ballots received, the number of ballots counted for each candidate and the number of spoiled ballots. The President shall then declare those candidates who have achieved the highest number of votes elected for the number of positions as elected directors available for that region.</p> <p>The President shall notify all successful candidates of their election for elected directors and their terms of office and the President shall cause publication of such notice at least once in one (1) week in a newspaper in general circulation or broadly distributed across Ontario or in two or more regional newspapers, the distribution coverage of which, together, extends across Ontario.</p>	<p>Following the deadline for the receipt of the marked ballots, the written and/or marked ballots along with the electronic ballot report documenting the number of electronic votes received, will be counted.</p> <p>On the completion of the count, a record detailing the number of ballots received, the number of ballots counted for each candidate and the number of spoiled ballots shall be signed by the President and by the person or persons, if any, appointed or designated by the President to complete the count.</p> <p>The President shall notify all successful candidates of their election for elected directors and their terms of office and the President shall cause publication of such notice at least once in one (1) week in a newspaper in general circulation or broadly distributed across Ontario or in two or more regional newspapers, the distribution coverage of which, together, extends across Ontario.</p>



By-law No. 9 – cont'd

Section 13

Post-Election Procedure

Amended by deleting 'by him and other scrutineers.'

Previous By-law

The ballots and other documents in respect of an election for elected directors shall be kept by the President for four (4) weeks after the date of the election. Upon the expiration of the four (4) week period, the President shall destroy the ballots and other documents but shall retain the record of the count signed *by him and other scrutineers* as part of the records of the Corporation. Those persons declared to be elected by the President shall take office as elected directors at the annual meeting following the election.

Amended By-law

The ballots and other documents in respect of an election for elected directors shall be kept by the President for four (4) weeks after the date of the election. Upon the expiration of the four (4) week period, the President shall destroy the ballots and other documents but shall retain the record of the count signed as part of the records of the Corporation. Those persons declared to be elected by the President shall take office as elected directors at the annual meeting following the election.

By-law No. 11

Section 44

Quorum

A quorum at any meeting of the members (unless a greater number of members are required to be present by the Act or by the Letters Patent or any other By-law) shall be persons present being fifty (50) in number and being fifty (50) voting members. No business shall be transacted at any meeting unless the requisite quorum is present at the time of the transaction of such business. If a quorum is not present at the time appointed for a meeting of members or within such reasonable time thereafter as the members present may determine, the persons present and entitled to vote may adjourn the meeting to a fixed time and place but may not transact any other business and the provisions of paragraph 54 with regard to notice shall apply to such adjournment.

A quorum at any meeting of the members (unless a greater number of members are required to be present by the Act or by the Letters Patent or any other By-law) shall be persons present being twenty-five (25) in number and being twenty-five (25) voting members. No business shall be transacted at any meeting unless the requisite quorum is present at the time of the transaction of such business. If a quorum is not present at the time appointed for a meeting of members or within such reasonable time thereafter as the members present may determine, the persons present and entitled to vote may adjourn the meeting to a fixed time and place but may not transact any other business and the provisions of paragraph 54 with regard to notice shall apply to such adjournment.

FINANCIAL REVIEW

This financial review is based on the audited financial statements for the year ended March 31 2008 and the comparative figures for the year ended March 31 2007.

Overview

The Real Estate Council of Ontario comprises two distinct categories: General Operations and the Insurance Program.

General operating receipts are derived primarily from registration fees required under the Real Estate and Business Brokers Act. 002 Registration fees are amortized to income over the two-year period of each registration. Other fees include transfer fees, fees related to the education nominee agreement with the Ontario Real Estate Association, cost recoveries and penalties assessed by disciplinary panels and miscellaneous revenues. These fees are recognized in the current year.

All receipts related to the Insurance Program are required to be held in trust and segregated from general operating funds into three trust funds. Insurance payments include the premiums, the stabilization fees, and the administration fees charged for program costs together with the applicable taxes. Insurance receipts are amortized to income over the period of the insurance policy.

General Operations

Revenues

Recognized registration revenues increased by \$401,496 from \$7,255,808 in fiscal 2007 to \$7,657,304 in fiscal 2008 due to the continued increase in new and reinstating registrations over the past two years. Other operating revenues increased by \$183,651 from \$1,257,530 in fiscal 2007 to \$1,441,181 in fiscal 2008. Of this increase, education revenues were higher by \$153,852; administrative penalties and recoveries increased by \$38,970; and other miscellaneous revenues increased by \$679. These increases were offset by a decrease in transfer revenues of \$9,850. Interest earned increased by \$62,744 from \$323,147 in fiscal 2007 to \$385,891 in fiscal 2008.

Expenses

Expenses include general operating departments and facilities; Board, committee and working group per diems and meeting costs; and other corporate expenses such as communications activities, external legal and consulting costs, election costs, the government fee under the Administrative Agreement, and amortization. Total expenses increased in fiscal 2008 by \$1,092,248 to \$8,987,606 from \$7,895,358 in the previous year. Operating expenses were higher by \$1,092,829; Board committee and working group expenses were higher by \$3,420; and other corporate

expenses were lower by \$4,001. The increase in operating expenses of \$1,092,829 resulted from higher direct costs of enforcement activities with the Legal Department costs higher by \$519,122; the Office of the Registrar higher by \$112,108, and Complaints and Compliance Department higher by \$62,929. In other operating areas, facilities costs increased by \$103,206 due to the lease of additional space and increased equipment costs; Information Technology department expenses increased by \$100,156 for program support and recruiting activities; Administration and Human Resources department costs increased by \$87,786, reflecting full-year staffing costs and the initiation of an awards program; the Finance and Accounting Department costs increased by \$51,550 due primarily to an increase in credit card discounts and other financing fees; the expenses of the Office of the Director of Corporate Services increased by \$47,768, reflecting a full year of costs for this department; Communication and Corporate Initiatives Department expenses increased by \$42,293, reflecting additional staffing and recruitment expenses; Registration Department increased by \$38,586, reflecting full year staffing costs. The Office of the President and CEO were lower by \$46,077; and Inspections & Investigations expenses together with MGCS service charges, were lower as recruitment of a manager was ongoing.

Board meeting expenses were lower by \$27,234, with other committee and working group expenses higher overall

by \$31,362. In other corporate expenses, communications-related activities were lower by \$168,569, where greater use of web-based communication has resulted in cost savings; and directors' and officers' liability insurance was lower by \$21,245. These were offset by higher external consulting and legal expenses of \$66,281; higher costs of \$49,851 for Discipline and Appeals Committees; higher strategic planning expenses of \$39,534; higher costs of \$17,680 for the annual general meeting; and higher audit fees and expenses of \$10,078.

Net Income and Accumulated Fund Balance

Net income for the year was \$496,770 compared to \$941,127 in fiscal 2007. This income together with the increase in the fund balances invested in property, plant and equipment resulted in an increase in the accumulated fund balance from \$2,289,600 in fiscal 2007 to \$2,496,378 in fiscal 2008.

Net Current Assets

Net current assets, which exclude deferred revenue, were \$10,549,736 at March 31 2008 compared to \$9,591,963 at March 31 2007.

Revenues

In fiscal 2008, a new model for the delivery of the Insurance Program was adopted, in which brokerage and actuarial costs form part of the coverage provided in the premium. This resulted in a September 1, 2007 invoice to subscribers that increased premiums and lowered the stabilization and administration charges. Premium revenues increased by \$1,179,007 to \$6,988,057 from \$5,809,050 in 2007; Stabilization revenues decreased by \$139,674 to \$1,288,742 from \$1,428,416 in 2007; and administration revenues decreased by \$194,866 to \$984,815 from \$1,179,681 in 2007. Interest was \$108,718 higher as more funds were available for investment.

Expenses

Premium expense was \$1,128,399 higher than the \$5,532,387 in fiscal 2007 due also to the higher premiums charged in 2008. Administration expenses decreased by \$206,202; from \$1,096,249 in 2007 to \$890,047 in 2008. Brokerage and actuarial consulting costs accounted for \$303,324; offset by increased insurance department costs of \$48,577; increased credit card discounts of \$32,528; and increased legal and audit costs of \$23,801. No expenses are charged to the stabilization fund.

Net Income and Accumulated Fund Balance

Net income for the premium fund for 2008 was \$327,271 compared to \$276,663 in 2007; \$1,607,946 for the stabilization fund compared to \$1,675,866 in 2007; and \$259,206 in the administration fund compared to \$210,906 in 2007. At March 31 2008, the accumulated fund balances were: \$1,529,204 in the premium fund; \$8,396,653 in the stabilization fund; and \$1,324,611 in the insurance administration fund.

Net Current Assets

Net current assets, excluding deferred revenues and premiums are \$12,236,972 at March 31 2008 compared to \$10,303,761 at March 31 2007.



FINANCIAL STATEMENTS

For the year ended March 31, 2008

Auditors' Report

May 22, 2008

To the Registrants of Real Estate Council of Ontario

We have audited the balance sheet of **Real Estate Council of Ontario** as at March 31, 2008 and the statements of operations and cumulative operations and insurance trust fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

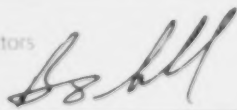
Toronto, Ontario, Canada

BALANCE SHEET

For the year ended March 31, 2008

	Operations Fund		Insurance Trust Funds		Total	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Current assets						
Cash	406,102	202,081	63,289	111,369	469,391	313,450
Short-term investments	10,136,790	9,302,560	11,890,688	9,961,247	22,027,478	19,263,807
Accounts receivable	514,092	454,865	323,474	244,544	837,566	699,409
Prepaid insurance premiums	-	-	3,005,067	2,453,693	3,005,067	2,453,693
Deposits and prepaid expenses	185,227	141,589	-	105,417	185,227	247,006
	11,242,211	10,101,095	15,282,518	12,876,270	26,524,729	22,977,365
Property, plant and equipment (note 2)	746,886	456,894	-	-	746,886	456,894
	11,989,097	10,557,989	15,282,518	12,876,270	27,271,615	23,434,259
Current liabilities						
Accounts payable and accrued liabilities	559,172	372,840	40,479	118,816	599,651	491,656
Government fee payable (note 4)	133,303	136,292	-	-	133,303	136,292
Deferred registration revenue (note 3(a))	6,013,554	5,498,348	-	-	6,013,554	5,498,348
Deferred insurance premiums (note 3(b))	-	-	3,167,521	2,585,979	3,167,521	2,585,979
Deferred insurance stabilization (note 3(b))	-	-	483,196	610,864	483,196	610,864
Deferred insurance administration (note 3(b))	-	-	340,854	504,566	340,854	504,566
	6,706,029	6,007,480	4,032,050	3,820,225	10,738,079	9,827,705
Deferred registration revenue (note 3(a))	2,039,804	1,804,015	-	-	2,039,804	1,804,015
	8,745,833	7,811,495	4,032,050	3,820,225	12,777,883	11,631,720
Investment in property, plant and equipment (note 2)	746,886	456,894	-	-	746,886	456,894
Restricted						
Insurance Premium Fund (schedule II)	-	-	1,529,204	1,201,933	1,529,204	1,201,933
Premium Stabilization Fund (schedule II)	-	-	8,396,653	6,788,707	8,396,653	6,788,707
Insurance Administration Fund (schedule II)	-	-	1,324,611	1,065,405	1,324,611	1,065,405
Unrestricted	2,496,378	2,289,600	-	-	2,496,378	2,289,600
	3,243,264	2,746,494	11,250,468	9,056,045	14,493,732	11,802,539
	11,989,097	10,557,989	15,282,518	12,876,270	27,271,615	23,434,259

Approved by the Board of Directors


 Director


 Director

STATEMENT OF OPERATIONS AND CUMULATIVE OPERATIONS AND INSURANCE TRUST FUND BALANCES

Real Estate Council of Ontario

For the year ended March 31, 2008

	Operations Fund		Insurance Trust Funds		Total	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Revenues and Insurance Trust Funds receipts						
Registration fees (note 3)	7,657,304	7,255,808	-	-	7,657,304	7,255,808
Insurance premium fees (note 3)	-	-	6,988,057	5,809,050	6,988,057	5,809,050
Premium stabilization fees (note 3)	-	-	1,288,742	1,428,416	1,288,742	1,428,416
Insurance administration fees (note 3)	-	-	984,815	1,179,681	984,815	1,179,681
Other income	1,441,181	1,257,530	-	-	1,441,181	1,257,530
	9,098,485	8,513,338	9,261,614	8,417,147	18,360,099	16,930,485
Expenses and expenditures						
Council expenditures (schedules I and II)	8,987,606	7,895,358	7,550,833	6,628,636	16,538,439	14,523,994
Operating income before interest income	110,879	617,980	1,710,781	1,788,511	1,821,660	2,406,491
Interest income	385,891	323,147	483,642	374,924	869,533	698,071
Net income for the year	496,770	941,127	2,194,423	2,163,435	2,691,193	3,104,562
Opening accumulated fund balances	2,289,600	1,316,921	9,056,045	6,892,610	11,345,645	8,209,531
Fund balances invested in property, plant and equipment (note 2)	(289,992)	31,552	-	-	(289,992)	31,552
Ending accumulated fund balances	2,496,378	2,289,600	11,250,468	9,056,045	13,746,846	11,345,645

STATEMENT OF CASH FLOWS

For the year ended March 31, 2008

	Operations Fund		Insurance Trust Funds		Total	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Cash provided by (used in)						
Operating activities						
Net income for the year	496,770	941,127	2,194,423	2,163,435	2,691,193	3,104,562
Item not affecting cash						
Amortization	282,643	275,991	-	-	282,643	275,991
	779,413	1,217,118	2,194,423	2,163,435	2,973,836	3,380,553
Non-cash working capital items related to operations						
Short-term investments	(834,230)	(631,046)	(1,929,441)	(2,037,635)	(2,763,671)	(2,668,681)
Accounts receivable	(59,227)	(228,012)	(78,930)	(238,244)	(138,157)	(466,256)
Prepaid insurance premiums	-	-	(551,374)	(356,476)	(551,374)	(356,476)
Deposits and prepaid expenses	(43,638)	(14,258)	105,417	-	61,779	(14,258)
Accounts payable and accrued liabilities	186,332	(227,324)	(78,337)	33,474	107,995	(193,850)
Government fee payable	(2,989)	(43,708)	-	-	(2,989)	(43,708)
Deferred registration revenue	750,995	117,492	-	-	750,995	117,492
Deferred insurance premiums	-	-	581,542	374,992	581,542	374,992
Deferred insurance stabilization	-	-	(127,668)	34,078	(127,668)	34,078
Deferred insurance administration	-	-	(163,712)	28,333	(163,712)	28,333
	(2,757)	(1,026,856)	(2,242,503)	(2,161,478)	(2,245,260)	(3,188,334)
	776,656	190,262	(48,080)	1,957	728,576	192,219
Investing activities						
Purchase of property, plant and equipment	(572,635)	(244,439)	-	-	(572,635)	(244,439)
Increase (decrease) in cash during the year	204,021	(54,177)	(48,080)	1,957	155,941	(52,220)
Cash - Beginning of year	202,081	256,258	111,369	109,412	313,450	365,670
Cash - End of year	406,102	202,081	63,289	111,369	469,391	313,450

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2008

Real Estate Council of Ontario

1. Summary of significant accounting policies

Nature of organization

The Real Estate Council of Ontario (RECO) is a not-for-profit organization, incorporated by letters patent under the Canada Corporations Act on February 18, 1997. The organization is exempt from tax under the Income Tax Act (Canada).

On May 5, 1997, RECO assumed responsibility from the Ministry of Government and Consumer Services (MGCS) (previously the Ministry of Government Services) to administer the Real Estate and Business Brokers Act (the Act). RECO's mandate is to protect consumers and to administer the regulatory requirements of Ontario's real estate profession. On March 31, 2006, the Real Estate and Business Brokers Act 2002 (REBBA 2002) was proclaimed.

Consumer deposit insurance, errors and omissions, insurance and commission protection insurance are mandatory under the Real Estate and Business Brokers Act 2002. Payments required under the program are designated to three funds: the Insurance Premium Fund, the Premium Stabilization Fund and the Insurance Administration Fund.

The Premium Stabilization Fund is a restricted fund that may be used to offset future increases in the premiums charged by the insurer. The fund may also be used to reduce the present level of premiums. A special insurance premium stabilization committee, comprised of members, must approve any use of the funds.

The Insurance Administration Fund is a fund used to pay the administrative costs associated with the operation of the program.

Revenue recognition

RECO follows the deferral method of accounting for revenue. RECO derives its revenue primarily from fees charged to register as a real estate salesperson, a real estate broker and a real estate brokerage and administration of insurance. Registration proceeds are for a two-year period. Revenue is recognized evenly over this two-year period to match the related expenditures. Amounts related to future years are recorded as deferred revenue. Insurance proceeds are for the one-year period of the insurance policy, which runs from September 1 of the current year to September 1 of the following year. Amounts related to the following year are recorded as deferred revenue.

Changes in accounting principles effective April 1, 2007

As at April 1, 2007, the following new sections of The Canadian Institute of Chartered Accountants (CICA) Handbook became mandatory for RECO:

► Section 1506, Accounting Changes

This section prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. Compliance with this new standard did not affect the organization's financial position or results of operations.

► Section 3855, Financial Instruments

This section requires an organization to classify all financial instruments as either held-to-maturity, available-for-sale, held-for-trading or receivables. Instruments classified as held-to-maturity, receivables and financial liabilities other than those held for trading, are measured at amortized cost. Instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized on the statement of operations and cumulative operations and insurance trust fund balances. In compliance with this new standard, the organization has made the following classifications:

- cash is classified as held-for-trading;
 - short-term investments are classified as held-to-maturity, and
 - accounts payable, accrued liabilities and government fee payable are classified as other liabilities and are measured at fair value.
- The carrying value of the organization's financial instruments, consisting of cash and short-term investments are classified as held-to-maturity, accounts receivable, deposits and prepaid expenses, accounts payable and accrued liabilities, approximates their fair values because of their short-term nature and maturities.

Changes in accounting principles effective April 1, 2008

For financial statements relating to fiscal years beginning on or after October 1, 2007, specifically April 1, 2008 for RECO, the organization will be required to comply with the following new CICA Handbook sections:

► Section 1535, Capital Disclosures

This section requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard will impact the organization's disclosures but will not affect its results or financial position.

► Sections 3862 and 3863, Financial Instruments and Disclosure of Financial Instruments

These sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. These standards will impact the organization's disclosures, but will not affect the organization's results or financial position.

Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated amortization. Amortization is provided at the following annual rates on a straight-line basis:

Computer equipment and software	30%
Office furniture and equipment	20%
Leasehold improvements	over the term of the lease

Use of estimates

The preparation of the organization's financial statements and the accompanying notes in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts in the financial statements and the disclosure in the accompanying notes. Actual results could differ from those estimates used in preparing the financial statements.

Property, plant and equipment

2008

	Cost \$	Accumulated amortization \$	Net \$
Computer equipment and software	1,422,600	1,252,967	169,633
Office furniture and equipment	1,065,061	816,736	248,325
Leasehold improvements	667,178	338,250	328,928
	3,154,839	2,407,953	746,886

2007

	Cost \$	Accumulated amortization \$	Net \$
Computer equipment and software	1,378,015	1,236,030	141,985
Office furniture and equipment	944,478	746,418	198,060
Leasehold improvements	389,190	272,341	116,849
	2,711,683	2,254,789	456,894

Fund balances invested in property, plant and equipment are as follows:

	\$
Invested in property, plant and equipment - Beginning of year	456,894
Additions during the year	572,635
Amortization charge for the year	(282,643)
Invested in property, plant and equipment - End of year	746,886

NOTES TO FINANCIAL STATEMENTS

Real Estate Council of Ontario

For the year ended March 31, 2008

3. Deferred revenue

a) Operations Fund

Deferred revenue represents registration fees received, which relate to subsequent periods. The movements in the deferred revenue balance during the year were:

	\$
Opening balance	7,302,363
Registration fees received in fiscal 2008	8,408,299
Less: Amounts recognized as revenue in the year	(7,657,304)
Ending balance	8,053,358
Amounts to be recognized as revenue in fiscal 2009	6,013,554
Amounts to be recognized as revenue in fiscal 2010	2,039,804
	8,053,358

b) Insurance Trust Funds

	Insurance Premium Fund \$	Premium Stabilization Fund \$	Insurance Administration Fund \$	Total \$
Opening balance	2,585,979	610,864	504,566	3,701,409
Insurance payments received in fiscal 2008	7,569,599	1,161,074	821,103	9,551,776
Less: Amounts recognized as revenue in the year	(6,988,057)	(1,288,742)	(984,815)	(9,261,614)
Ending balance	3,167,521	483,196	340,854	3,991,571
Amounts to be recognized as revenue in fiscal 2009	3,167,521	483,196	340,854	3,991,571

4. Ministry of Government Services

An administrative agreement was entered into with the Ministry of Government Services. The services of this Ministry are now under the Ministry of Government and Consumer Services. Under this agreement, the maximum fee payable will not exceed \$220,000 per year. Amounts payable under the agreement are recognized in the year incurred.

5. Commitments

The organization has minimum commitments under leases for premises and equipment. The future estimated lease payments are:

2009	404,246
2010	398,573
2011	390,812
2012	375,290
2013	280,367
	<u>1,849,288</u>

6. Funds held in trust

The organization holds in trust consumer deposits transferred by brokers as dormant trust funds. At March 31, 2008, these deposits, together with the accumulated interest, amounted to \$1,469,700 (2007 - \$838,351). These amounts have not been included in the financial statements as the organization does not control nor benefit from these funds.

7. Contingent liabilities

The organization is involved in various claims and litigation both as plaintiff and respondent. In the opinion of management, the resolution of claims against the organization will not result in a material effect on the financial position of the organization. Any settlements or awards will be reflected in the statement of operations, as the matters are resolved.

8. Comparative figures

Certain of the comparative figures have been restated to conform to the current year's financial statement presentation.

SCHEDULE OF COUNCIL EXPENDITURES

Real Estate Council of Ontario

For the year ended March 31, 2008

Schedule I

	2008 \$	2007 \$
Operating expenses		
Office of the President and Chief Executive Officer	378,032	424,109
Office of the Registrar	471,340	359,232
Registration department	846,070	807,484
Inspections and investigations	697,280	684,992
MGCS service charges (note 4)	-	38,886
Complaints and compliance department	552,003	489,074
Office of the Director of Corporate Services	281,195	233,427
Legal services department	1,387,619	868,497
Administration and Human Resources	470,261	382,475
Finance and accounting department	429,959	378,409
Communications and corporate initiatives	319,212	276,919
Information technology department	510,982	410,826
Facilities cost	1,034,673	931,467
	<u>7,378,626</u>	<u>6,285,797</u>
Board of Directors and working groups		
Board of Directors' per diems	67,044	67,752
Board of Directors' travel and meeting costs	33,168	60,402
Nominee Working Group	19,300	1,972
Agency Task Force Working Group	1,998	-
Legislation and Regulation Committee	8,534	-
Education Committee	38,812	24,310
Governance Committee	-	7,446
By-law Committee	-	1,475
Audit Committee	1,698	1,484
Finance Committee	4,287	4,022
Commercial Real Estate Advisory Group	778	3,336
	<u>175,619</u>	<u>172,199</u>
Other corporate		
Amortization	282,643	275,991
Communications activities	247,003	415,572
Government fee (note 4)	133,303	135,064
Hearings activities	126,723	133,005
Legal and consulting	186,007	119,726
Discipline and appeals committees	55,338	5,487
Directors' and officers' liability insurance	169,569	190,814
Annual general meeting	79,172	61,492
Strategic planning	40,384	850
Elections	51,910	46,748
Consumer advisory group	-	7,020
Audit fees	43,054	32,976
Canadian regulators group	18,255	12,617
	<u>1,433,361</u>	<u>1,437,362</u>
	<u>8,987,606</u>	<u>7,895,358</u>

SCHEDULE OF FUND BALANCES

ANNUAL REPORT 2007-2008

For the year ended March 31, 2008

Schedule II

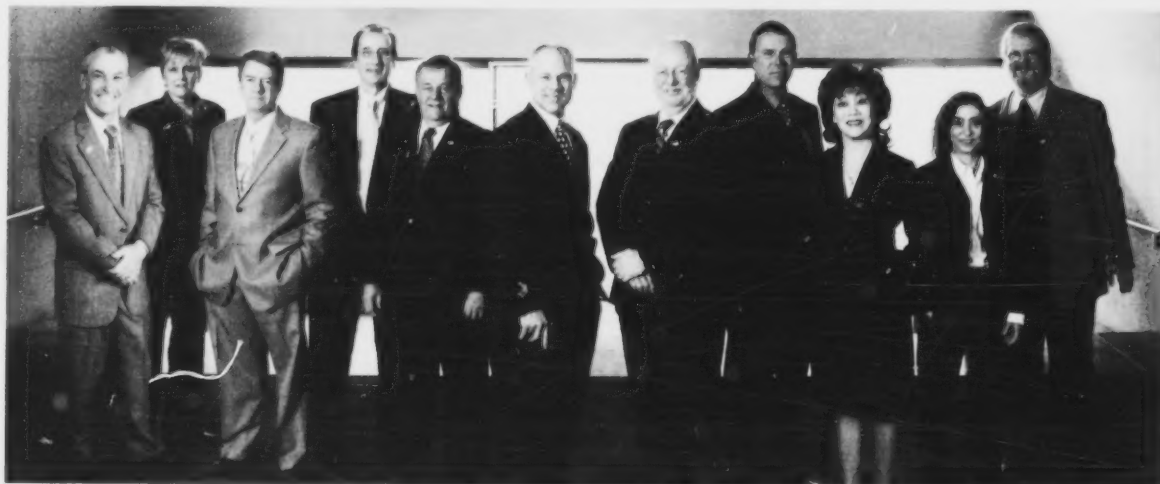
	2008			2007	
	Insurance Premium Fund \$	Premium Stabilization Fund \$	Insurance Administration Fund \$	Total \$	Total \$
Insurance funds					
Insurance funds recognized	6,988,057	1,288,742	984,815	9,261,614	8,417,147
Interest income	-	319,204	164,438	483,642	374,924
	6,988,057	1,607,946	1,149,253	9,745,256	8,792,071
Expenditures					
Brokerage fees	-	-	105,417	105,417	253,000
Actuarial fees	-	-	175,016	175,016	330,757
Legal and audit	-	-	43,033	43,033	19,232
Insurance staffing	-	-	127,595	127,595	79,018
Insurance Committee	-	-	7,530	7,530	9,929
Bank charges and other miscellaneous	-	-	(320)	(320)	(1,751)
Stabilization Committee	-	-	2,005	2,005	1,593
Printing costs	-	-	78,510	78,510	50,767
Credit card discounts	-	-	213,048	213,048	180,520
Processing and mailing costs	-	-	138,213	138,213	171,908
System support	-	-	-	-	1,276
Insurance	6,660,786	-	-	6,660,786	5,532,387
	6,660,786	-	890,047	7,550,833	6,628,636
Net income for the year	327,271	1,607,946	259,206	2,194,423	2,163,435
Opening accumulated fund balances	1,201,933	6,788,707	1,065,405	9,056,045	6,892,610
Ending accumulated fund balances	1,529,204	8,396,653	1,324,611	11,250,468	9,056,045

GOVERNANCE AND ORGANIZATIONAL STRUCTURE

Real Estate Council of Ontario

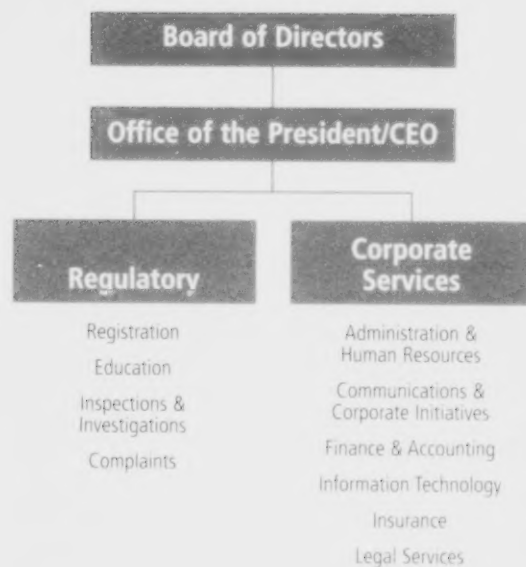
RECO is a self-managed, not-for-profit corporation that is responsible for administering the Real Estate and Business Brokers Act, 2002 (REBBA 2002) and associated regulations on behalf of the provincial government and regulating the activity of trading in real estate in the public interest.

RECO is governed by a 12-member Board of Directors, including nine elected representatives registered under REBBA 2002 and three non-registrants appointed by the Minister of Government and Consumer Services, representing consumers, business and government. The Board of Directors is responsible for providing progressive and collective leadership to RECO.



RECO's departments are organized under two broad divisions: Regulatory and Corporate Services.

The President/CEO is responsible for the day-to-day management of RECO in accordance with the policies and budget established by the Board of Directors. The Registrar is appointed to exercise powers and carry out duties imposed under the Act, its regulations and other applicable legislation. A full time management team and staff of 78 support the delivery of programs and services for consumers and registrants.



BOARD OF DIRECTORS

BRIAN C. SUKKAU B.A.*Chair**Broker*Royal LePage Niagara Real Estate
Centre Inc.

St. Catharines

LAWRENCE BREMNER*Vice-Chair**Associate*Gowling Lafleur Henderson LLP
Hamilton**THOMAS W. BOSLEY FRI CRB***Broker/Owner*Bosley Real Estate Ltd.
Toronto**GLENDA BRINDLE***Associate Broker*Royal LePage Team Realty
Ottawa**LYNN CRAIGMYLE***Broker/Manager*Bowes & Cocks Limited
Haliburton**BOB DUNLOP***President*Carson, Dunlop & Associates
Toronto**RICK KOLARI***Broker*NBR R.A. Kolari Realty Inc.
Sudbury**CYNTHIA LAI FRI***Broker*Visar Realty Inc.
Toronto**GEORGE LAVALLEE B.Sc.***Broker of Record*Century 21 Add Vantage Realty Ltd.
Kitchener**JOE O. PINHEIRO***Broker/Owner*Pinheiro Realty & Ins. Ltd.
London**DAVID ROSSI FRI CMR, CRB***Broker*Re/Max Professionals Inc.
Toronto**MARY SHENSTONE***Assistant Deputy Minister —
Commercial Asset Strategy Division
Ministry of Public Infrastructure
and Renewal
Toronto*

MANAGEMENT

TOM WRIGHT LL.B. President/CEO

The President/CEO is responsible for the effective and efficient management of the organization in accordance with the policies and the budget established by the Board of Directors. This encompasses delegation of full authority over RECO's operating activities and resources, responsibility for achievement of RECO's strategic goals, and accountability for RECO's results.

ALLAN T. JOHNSTON Registrar

The Registrar is responsible for providing leadership, integrity and fair-mindedness to the administration of the *Real Estate and Business Brokers Act, 2002*, and to ensure the highest possible level of consumer protection and knowledge in the operation of the real estate brokerage industry in Ontario.

**DAN STAPLETON Director,
Corporate Services**

The Director, Corporate Services supports the President/CEO by ensuring the efficient and effective management of the Real Estate Council of Ontario's non-regulatory operations, as organized under Corporate Services including administration, finance, information technology, communications, legal services and insurance services.



MANAGEMENT

BRIAN PRENDERGAST Deputy Registrar

The Deputy Registrar is responsible for providing daily management of the inspections, investigations and complaints functions including interpreting statutes; monitoring the processing of complaints and inquiries; laying charges under the *Provincial Offences Act* related to REBBA 2002.

BRIAN SCHLOTZHAUER Deputy Registrar

The Deputy Registrar is responsible for providing daily management of the Registration and Education departments, developing and implementing operational objectives to ensure maximum administrative and service results and ensuring that the requirements of the *Real Estate and Business Brokers Act, 2002* and RECO's Policies are interpreted and applied in a consistent fashion.

JOHN BURNET Manager, Complaints, Compliance & Discipline

The Manager, Complaints, Compliance & Discipline (CCD) is responsible for administering and managing, by various means, RECO's Complaints, Compliance and Discipline process and providing interpretation of the RECO Code of Ethics.

SYLVIA MAUTI Manager, Administration & Human Resources

The Manager, Administration & Human Resources is responsible for the internal administrative matters of the organization, including conducting or supervising all office management functions, such as office equipment, facilities, support services, and human resources.

GLORIA FOUGERE C.A. Manager, Finance & Accounting

The Manager, Finance and Accounting is responsible for establishing and overseeing all functions related to finance and accounting.

STEVE FYFE Manager, Information Systems

The Manager, Information Systems is responsible for building and managing the IT organizational structure. The Manager of Information Systems understands RECO's strategy and business objectives and works with Management to determine how technology can be used to support and advance these objectives.

SANDRA GIBNEY Manager, Communications & Corporate Initiatives

The Manager, Communications and Corporate Initiatives is responsible for managing the public relations/corporate communications activities of the Council; managing and/or developing corporate strategies, plans and policies that support the Council's vision/mission; and assisting the CEO in the development of strategic plans, business plans and other corporate reports.

ELIZABETH SILCOX B.A. (Hon), LL.B., Manager, Legal Services

The Manager, Legal Services is responsible for managing and providing the legal services required to support the activities of all departments of RECO, including the Board of Directors, its Committees, Task Forces, Working Groups and the office of the President/CEO as required.

ANGELA VOLPE Manager, Registration

The Manager, Registration provides daily management of the Registration Department; develops and implements technical and operational objectives; represents the Office of the Registrar at the License Appeal Tribunal and at Provincial Offences Court; and ensures the requirements of Real Estate and Business Brokers Act, 2002 and RECO's policies and procedures as they relate to registration are interpreted and applied in a consistent fashion.

SHELLEY WESTLAKE-BROWN Manager, Executive & Board Operations

The Manager, Executive & Board Operations is responsible for providing executive level administrative management to the Office of the President/CEO, including a wide range of complex and confidential administrative, operational and governance tasks. The Manager, Executive & Board Operations works closely with the Board of Directors, Committees, Task Forces and Management Group.

COMMITTEES, TASK FORCES, AND ADVISORY GROUPS

ANNUAL REPORT 2007-2008

Agency Task Force

The RECO Board of Directors supports a collaborative approach and is continuing work with the Ontario Real Estate Association (OREA) to form a joint RECO/OREA Working Group to discuss the recommendations contained in the final report of the Canadian Regulators Group Agency Task Force. This joint Working Group is currently discussing next steps for consulting with interested industry and consumer groups.

Appeals Committee

The Appeals Committee is established to hear, consider and decide appeals related to Discipline Committee decisions.

Audit Committee

The Audit Committee is established to assist the Board in meeting its fiduciary responsibilities.

Commercial Real Estate Advisory Group

The Commercial Real Estate Advisory Group is established to provide advice to the Board of Directors regulatory issues in the commercial real estate sector.

Consumer Advisory Group

The Consumer Advisory Group reports to the President/CEO. The Group is established to provide a forum for two-way communication with consumers and consumer interest groups.

Discipline Committee

The Discipline Committee is established to hear matters referred to it by the Registrar. Discipline Panels determine whether or not registrants have complied with the Code of Ethics.

Education Advisory Committee

The Education Advisory Committee is established to review education requirements for registrants and provide advice to the Registrar. The Committee may also make recommendations regarding potential changes to educational requirements or policies related to education providers and approved subject areas.

Finance Committee

The Finance Committee is established to advise the Board on financial policies and the annual budget.

Governance Committee

The Governance Committee is established to develop, recommend to the Board of Directors, implement and assess effective corporate governance principles.

Insurance Committee

The Insurance Committee is established to monitor the registrant insurance program on an ongoing basis, including claims data, policy wording and administration.


Legislation & Regulations Committee

The Legislation & Regulations Committee is established to develop recommendations to the Board of Directors related to potential changes to the REBBA 2002 and associated regulations. The Committee may also make recommendations to the Board regarding consultation related to potential regulation changes.

Premium Stabilization Committee

The Premium Stabilization Committee is established to monitor the premium stabilization fund created as part of the registrant insurance program and ensure that any use of these funds is transparent.





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Mixed Sources



Main

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Website: www.reco.on.ca

Complaints, Compliance and Discipline

Telephone: 416-207-4847
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